SUBCOMMITTEE NO. 3 Agenda

Chair, Senator Denise Moreno Ducheny
Senator Dave Cox
Senator Wesley Chesbro

Thursday, May 4, 2006
(10 am or Upon Adjournment)
John L. Burton Hearing Room (4203)
Consultant, Anastasia Dodson

Discussion Agenda

Due to the volume of issues testimony will be limited. Please be direct and brief in your comments so that others may have the opportunity to testify. Written testimony is also welcome and appreciated. Thank you for your consideration.

5180 Department of Social Services (DSS)

Issue 1: CalWORKs Panel Discussion – Improving CalWORKs and Implementing the Federal Deficit Reduction Act

The California Work Opportunity and Responsibility to Kids (CalWORKs) program provides cash benefits and welfare-to-work services to low-income children and their parents or caretaker relatives. In 2006-07 the estimated average monthly caseload is 488,000 families.

CalWORKs Program Achievements:

- Hundreds of thousands of families are working and off time-limited aid since 1995. More adults on aid are working, and they are earning more under CalWORKs.
- The use of Temporary Assistance for Needy Families (TANF) and state MOE funding outside of CalWORKs has saved the state $9.5 billion General Fund since 1996.
- CalWORKs encourages work and self-sufficiency while maintaining a safety net for low-income children.

CalWORKs Program Challenges:

- The state's Work Participation Rate (WPR) will be well below federal standards in October 2006. It will be very challenging for the state to meet the federal WPR, and if it fails the state may be liable for to up to $350 million in federal penalties in 2008-09, with penalties increasing over time.
- An increasing proportion of families on aid have low skills, are not job ready, and have multiple barriers, such as domestic violence, substance abuse, or mental health issues.
- In most cases earnings among CalWORKs leavers are not significantly higher than earnings among current CalWORKs families that are employed.
- A number of families are reaching the 60 month time limit without sufficient earnings to transition off aid.
- A number of families are sanctioned and have their grants reduced for noncompliance, though their sanctions are often cured in a few months. Concern has been expressed by advocates that sanctions are applied too frequently and inappropriately in some counties.

CalWORKs Program Options for Change: (see Issue 7 for further details)
- Management and Data Improvements
- Policy and Practice Changes
- TANF/MOE Changes

Federal Deficit Reduction Act of 2005: TANF Provisions

- Reauthorized TANF Program through FFY 2010
- Caseload Reduction Credit Rebased from FFY 1995 to FFY 2005
- MOE-Funded Cases Included in Work Participation Rate (WPR)
- New State Penalty for Failure to Verify Work Participation
- Expanded Range of MOE-Countable Programs
- New Marriage Promotion Funding
- Federal Emergency Regulations to be released June 30, 2006, and effective October 1, 2006, will define:
    - Specific types of cases included in WPR.
    - Countable work activities.
    - Case reporting and documentation requirements.

<u>Panel 1 (90 minutes)</u>

- CharrLee Metsker, Department of Social Services (DSS)
- Frank Mecca, County Welfare Directors Association (CWDA)
- Phil Ansell, Los Angeles County Department of Public Social Services
- Todd Bland, Legislative Analyst's Office
- Linda Michalowski, California Community Colleges

<u>Panel 2 (45 minutes)</u>

- Mike Herald, Western Center on Law and Poverty
- Diana Spatz, LIFETIME
- Scott Graves, California Budget Project
- Nancy Strohl, Child Care Law Center
- Patty Siegel, California Resource and Referral Network

<u>Public Testimony (45 minutes)</u>

Background Information for CalWORKs Discussion

The remaining materials in this agenda are provided as background for the hearing discussion. Please see the Index at the end of the agenda for a detailed list of topics. In addition, the Subcommittee members and Panelists each have a supplemental packet with caseload charts, examples of client experiences, and the County Welfare Directors Association (CWDA) White Paper on CalWORKs reform.

Issue 2: Federal TANF Requirements and Funding

California Work Opportunity and Responsibility to Kids (CalWORKs) Program

Program Description. CalWORKs provides cash benefits and welfare-to-work services to children and their parents or caretaker relatives who meet specified eligibility criteria including having a family income below the CalWORKs minimum basic standard of adequate care, having less than $2,000 in resources, and having a car valued at $4,650 or less. The average family of three must have an annual net income below $12,389, or 77 percent of the federal poverty level, to be eligible for CalWORKs. Under state law, adults in single-parent families are required to participate in welfare-to-work activities and perform a minimum of 32 hours of work or work-related activities per week. Two parent families are required to participate for 35 hours per week. Adults have a lifetime limit of five years (60 months) in CalWORKs.

CalWORKs was established by the Legislature and Governor in 1997, in response to the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA). PRWORA created the Temporary Assistance for Needy Families (TANF) program, which replaced the Aid to Families with Dependent Children (AFDC), Emergency Assistance (EA), and Jobs Opportunities and Basic Skills Training (JOBS) programs. PRWORA significantly changed federal welfare policy, and gave states more flexibility in designing their welfare programs under TANF. CalWORKs is California's TANF program.

PRWORA established four purposes for state TANF programs: (42 USC 601)

> "The purpose of this part is to increase the flexibility of States in operating a program designed to-
>
> 1. **Provide assistance to needy families so that children may be cared for in their own homes or in the homes of relatives;**
>
> 2. **End the dependence of needy parents on government benefits by promoting job preparation, work, and marriage;**
>
> 3. **Prevent and reduce the incidence of out-of-wedlock pregnancies and establish annual numerical goals for preventing and reducing the incidence of these pregnancies; and**
>
> 4. **Encourage the formation and maintenance of two-parent families."**

The Department of Social Services (DSS) provides statewide oversight for CalWORKs, and counties operate the program. Counties determine eligibility and provide case management, employment training, and supportive services, including substance abuse, mental health, and domestic violence services, child care, transportation assistance, and other work supports.

Funding Summary. CalWORKs is funded through an annual federal Temporary Assistance for Needy Families (TANF) block grant of $3.7 billion, plus $2.7 billion in state and county funds to meet a federal Maintenance of Effort (MOE) requirement. The state's TANF grant and MOE are based on the level of welfare spending in the state in 1994. The MOE may be adjusted downward for achievement of certain work participation goals. Under PRWORA, MOE countable state spending must be for aided families or for families who are otherwise eligible for assistance (purposes 1 and 2 above). PRWORA restricted countable spending that promotes the formation and maintenance of two-parent families and teen pregnancy prevention (purposes 3 and 4 above) for low-income families only. This restriction was changed in the Deficit Reduction Act (see discussion in Deficit Reduction Act section below).

Federal law permits the expenditure of TANF funds on a variety of programs and activities. Unexpended TANF funds can be carried over indefinitely into future years. Permitted TANF expenditures include:

- Any program designed to meet the four purposes of TANF listed above.
- Any purpose permitted under the AFDC program or under AFDC Emergency Assistance (EA). (For example, AFDC-EA could be used for juvenile probation.)
- Up to 10 percent of TANF funds may be transferred to the Title XX Social Services Block Grant and then expended in accordance with Title XX federal rules.
- Up to $961 million in TANF funds may be transferred to the Child Care and Development Block Grant (CCDBG) to fund child care for CalWORKs families.

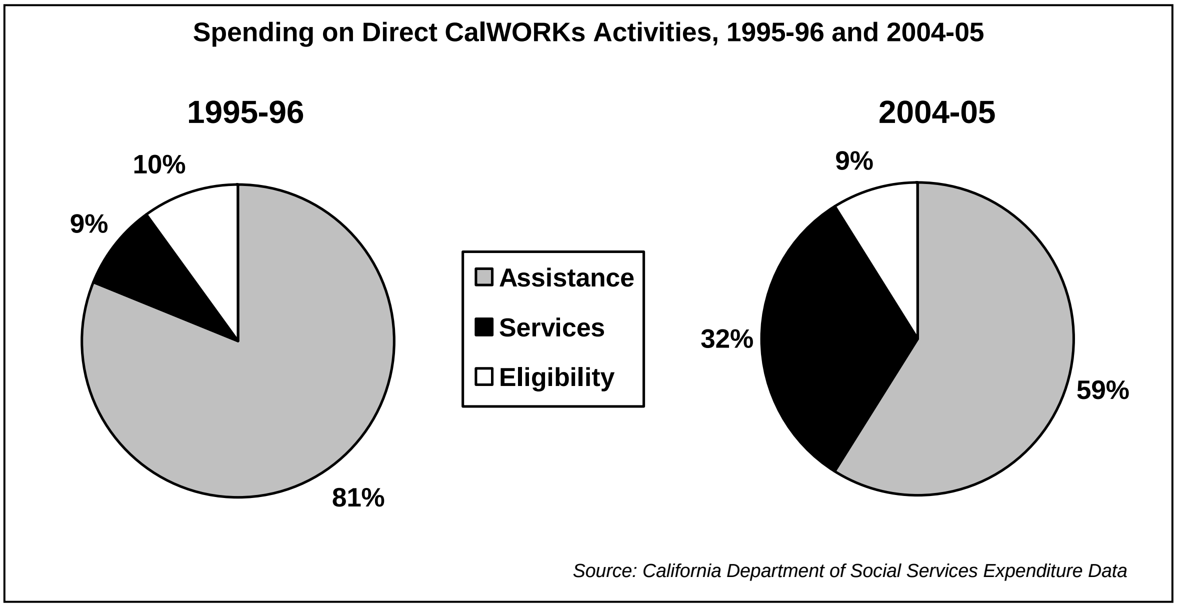
TANF and MOE Expenditures (dollars in thousands)

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06 Nov 05	2006-07 Nov 05	**Change 98-99 to 06-07**
CalWORKs Program (Actuals)	**5,452,465**	**5,644,025**	**5,228,224**	**5,065,838**	**5,234,305**	**4,726,460**	**4,979,740**	**5,016,200**	**4,902,818**	**-549,647**
Grants	3,728,895	3,409,184	3,110,591	3,128,454	2,998,104	3,058,377	3,272,331	3,196,005	3,147,574	**-581,322**
Eligibility Determination	518,317	563,063	539,640	554,945	499,797	477,145	477,510	511,709	492,289	**-18,083**
Employment Services	450,275	569,167	659,554	725,821	766,605	593,585	668,253	716,113	688,935	**222,839**
Child Care	360,733	524,046	571,661	537,866	548,577	486,112	451,267	483,587	465,234	**112,375**
Substance Abuse/Mental Health	21,212	67,947	96,778	98,753	118,377	111,241	110,378	108,786	108,786	**87,574**
County Share of Admin/Svcs	80,807	82,345	70,220	63,071	65,344	53,410	61,429	57,462	54,292	**-26,515**
Performance Incentives- budgeted	373,031	510,618	250,000	20,000	302,844	0	0	0	0	**-373,031**
Probation	**201,413**	**201,413**	**201,413**	**201,413**	**201,413**	**201,413**	**67,138**	**0**	**0**	**-201,413**
KinGAP	**0**	**0**	**25,519**	**69,859**	**76,232**	**88,318**	**94,308**	**98,098**	**100,046**	**100,046**
Non-CalWORKs MOE in CDSS and Other Depts	**708,502**	**745,249**	**811,055**	**876,788**	**761,915**	**793,250**	**727,370**	**827,755**	**806,824**	**-2,179**
State Support	**29,016**	**26,714**	**26,592**	**29,198**	**23,979**	**27,242**	**27,462**	**26,057**	**25,514**	**-3,502**
Total TANF transfers	**284,965**	**531,654**	**606,149**	**497,376**	**636,521**	**675,546**	**475,396**	**805,574**	**852,631**	**567,666**
Non-CalWORKs Transfers	0	0	5,339	0	70,793	100,135	85,579	190,819	188,928	**188,928**
Transfers to Stage 2, Tribal TANF & Reserve	284,965	531,654	600,810	497,376	565,548	575,411	389,817	614,755	663,703	**378,738**
Total Available Funding	**7,257,991**	**7,493,964**	**6,977,772**	**6,942,486**	**7,309,214**	**6,949,361**	**6,972,437**	**7,048,143**	**6,677,722**	**-580,269**
Total TANF/MOE Expends	**6,665,092**	**7,142,164**	**6,880,658**	**6,708,379**	**6,916,571**	**6,472,469**	**6,584,068**	**6,763,465**	**6,677,722**	**12,630**
NET TANF Carry-over Funds	592,899	351,800	97,114	234,107	392,643	476,892	388,369	284,678	0	**-592,899**
CalWORKs Contribution to the General Fund	***708,502***	***745,249***	***1,021,913***	***1,126,647***	***1,088,940***	***1,163,238***	***1,087,321***	***1,296,570***	***1,275,344***	***566,842***

Funding for CalWORKs employment services, child care, and eligibility determination is provided to the counties in a block grant known as the “single allocation.” Counties have the discretion to move these block grant funds among program elements to address specific local needs.

The chart above shows how TANF and MOE funds have been spent since 1998-99. As the chart shows, while a large amount of TANF/MOE was spent on CalWORKs each year, a significant amount was spent on other, non-CalWORKs programs, such as KinGAP, Probation, Child Welfare, and Foster Care. The amount spent on these programs is summarized in the last line, “CalWORKs Contribution to the General Fund.” **A total of $9.5 billion in TANF/MOE funds was spent on non-CalWORKs programs in place of General Fund from 1998-99 through 2006-07.**

Of the amount of TANF/MOE spent on CalWORKs, spending has shifted away from cash assistance and toward employment services, as shown in the below charts comparing actual spending on cash assistance, services and eligibility operations in 1995-96 and 2004-05. "Services" spending includes child care, transportation, case management, job search, vocational assessment, job training, mental health and substance abuse treatment, services to assist with domestic violence and learning disabilities and other services aimed at helping CalWORKs clients find and maintain employment.



2006-07 Governor's Budget

The budget proposes total TANF/MOE funding of $6.4 billion ($4.9 billion of which will be spent on the CalWORKs program and $1.5 billion to support non-CalWORKs federally allowable activities). This constitutes a $111 million, or 2.2 percent, decrease in CalWORKs expenditures from the current year. Note also that the Administration is proposing a $32 million decrease in CalWORKs funding in the current year, compared to the 2005 Budget Act.

- **Scale Back 2004-05 Welfare Reform Results (SB 1104).** The 2004-05 human services trailer bill (SB 1104) strengthened client work participation requirements. The Governor's Budget assumes that the SB 1104 program reforms will have a minimal effect in 2005-06, and that $147 million in anticipated grant savings due to increased client work hours will not materialize. The Administration also proposed to reduce the current year allocation to counties by $113 million, due to lower than anticipated child care costs. The Governor's Budget proposes trailer bill language to implement the current year reduction. Counties suggest that making a significant mid-year reduction in funding for CalWORKs prevents effective program management, and destabilizes local CalWORKs programs. Under current law, unspent single allocation funds eventually revert to the TANF reserve, however, counties have up to nine months to file supplemental claims.

- **Use TANF to Backfill Federal Disallowance for Child Welfare Services (CWS).** The budget proposes to shift a combined total of $58 million in current and budget year TANF funding from CalWORKs to CWS - Emergency Assistance Program, to backfill a federal funding disallowance in CWS. On March 9th the Subcommittee discussed this issue, and expressed concerns that the current year TANF transfer may not be consistent with Legislative intent in the 2005 Budget Act. The LAO has suggested the following Budget Bill Language be added to the 2006-07 budget bill, to clarify that Legislative review is needed before TANF may be shifted to other programs:

  Add paragraph (c) to Section 8.50 as follows:

  > (c) Paragraph (a) of this Section does not apply to federal Temporary Assistance for Needy Families (TANF) block grant funds. Any expenditure of TANF funds in excess of what is authorized in this act is subject to the notification procedures and requirements set forth in Section 28.00, Provision 4 of Item 5180-101-0001, or Item 5180-403, whichever is applicable.

- **Reduce CalWORKs Single Allocation.** The budget reduces $40 million in funding to counties for CalWORKs employment services, eligibility determination, and child care.

- **Delay Pay for Performance.** The 2005-06 Budget Act established performance measures for the CalWORKs program, and provided a $30 million TANF setaside in 2006-07 for counties that meet performance goals. The Administration now proposes to reduce that savings, eliminate the setaside, and delay implementation of Pay for Performance due to the delay in SB 1104 welfare reforms described above.

- **Prospective Budgeting/Quarterly Reporting (CalWORKs and Food Stamps).** The 2002-03 Budget Act shifted the routine eligibility review period for CalWORKs and Food Stamp clients from monthly to quarterly reporting. This change was expected to result in grant increases and eligibility determination savings due to fewer reported income changes. However, counties have indicated that eligibility savings are less than previously estimated, primarily due to the time needed to process mid-quarter change reports. The Administration has recently requested an additional $7.8 million TANF in the current year to reflect additional costs identified in recent county time studies.

DSS Issue 3: Deficit Reduction Act of 2005

Federal Deficit Reduction Act of 2005: TANF Provisions

- Reauthorized the TANF Program through FFY 2010
- Caseload Reduction Credit Rebased from FFY 1995 to FFY 2005
- MOE-Funded Cases Included in Work Participation Rate (WPR)
- Expanded Range of MOE-Countable Programs
- Federal Emergency Regulations to be released June 30, 2006, and effective October 1, 2006, will define:
  - Specific types of cases included in WPR.
  - Countable work activities.
  - Case reporting and documentation requirements.
- New State Penalty for Failure to Verify Work Participation
- New Marriage Promotion Funding

The federal Deficit Reduction Act of 2005, approved by Congress and the President in February 2006, effectively increased the state's required work participation rate to 50 percent for all CalWORKs cases, and 90 percent for two-parent cases. The state's work participation rates are currently 23 percent for all cases and 32 percent for two-parent cases. The new work participation rate requirements will become effective October 1, 2006, in Federal Fiscal Year (FFY) 2007. The Act also authorized the federal Secretary of Health and Human Services to issue emergency regulations to establish the types of aid cases included in the work participation rate, define federally-countable work activities, and establish reporting and documentation requirements to verify client work hours. Finally, the Act increases funding for child care; California's share is estimated to be approximately $25 million per year.

Calculation of Federal Work Participation Rate (WPR)

To avoid a federal penalty, states must meet an "All-Families" work participation rate (WPR) of 50 percent, and a "Two-Parent Families" WPR of 90 percent, subject to adjustment for any caseload reduction credit. These rates were established in PRWORA and were not changed by the Deficit Reduction Act.

However, prior to the Deficit Reduction Act, the WPR was based only on TANF-funded cases. MOE-funded cases were excluded. This allowed states to avoid penalties for not meeting the two-parent 90 percent WPR by using MOE funds instead of TANF funds for two-parent cases. California, like many other states, excluded two-parent families from the All-Families WPR calculation by using only MOE funds for those cases. Since the state did not have any TANF-funded two-parent cases, it effectively avoided the two-parent WPR requirement and penalty.

MOE-Funded Cases No Longer Excluded: Subject to certain exceptions, the Deficit Reduction Act requires both TANF and MOE-funded cases with aided adults to be included in the All-Families WPR calculation, effective FFY 2007. This means that two-parent families will now be included in the All-Families WPR (50 percent participation rate required), and that the state must also meet a 90 percent participation rate for the Two-Parent caseload. Note that if the state meets the All-Families WPR but not the Two-Parent WPR, the penalty would be reduced by about 85 percent because the amount of the penalty is tied to the relative size of the two-parent caseload in comparison to the overall caseload.

All-Families Work Participation Rate (WPR): 50 Percent Requirement

Numerator	=	Number of families with aided adult participating in countable activities for 30 hours (single parent)* or 35 hours (two-parent) per week
Denominator		Number of families with aided adult**

* 20 hours for a single parent with a child under age 6
**Excludes single parents with children under age 1, Tribal TANF cases, and possibly also cases sanctioned for less than 3 months in a 12 month period.

Two-Parent Work Participation Rate (WPR): 90 Percent Requirement

Numerator	=	Number of two-parent families with aided adults participating in countable activities for 35 hours per week
Denominator		Number of two-parent families with two aided adults***

***Excludes Tribal TANF cases, and possibly also cases sanctioned for less than 3 months in a 12 month period. A two-parent family with a disabled parent is considered a one-parent family in the WPR calculation.

California's Work Participation Rate Since FFY 2007

All-Families WPR+	FFY 1997	FFY 1998	FFY 1999	FFY 2000	FFY 2001	FFY 2002	FFY 2003	FFY 2004	FFY 2005	FFY 2006	FFY 2007
Required WPR	25.00%	30.00%	35.00%	40.00%	45.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%
Caseload Reduction Credit	5.50%	12.20%	26.50%	32.10%	38.60%	43.30%	44.20%	46.10%	44.9%*	44.9%**	1%?
Adjusted Required WPR	19.50%	17.80%	8.50%	7.90%	6.40%	6.70%	5.80%	3.90%	5.10%*	5.1%**	49%?
California's Actual WPR	29.70%	36.60%	42.20%	27.50%	25.90%	27.30%	24.00%	23.10%	23.9%*	23.9%**	25%?

+ Includes both Single- and Two-Parent cases from FFY 1997 – FFY 1999, only Single-Parent cases from FFY 2000 – FFY 2006, and both Single- and Two-Parent cases in FFY 2007
* Preliminary
** Estimated

Calculation of Caseload Reduction Credit

Prior to the Deficit Reduction Act, the caseload reduction credit was based on the caseload reduction since FFY 1995, the base year established in PRWORA. States are allowed to reduce their required WPR by the rate of caseload reduction since the base year. Most states, including California, would not have met the required WPR for FFY 2001-FFY 2006 absent the caseload reduction credit. For example, since California's caseload dropped by 43.3 percent between 1995 and 2002, the state's All-Families WPR requirement was reduced from 50 percent to 6.7 percent in 2002. California's actual WPR of 27.3 percent in FFY 2002 exceeded the adjusted required WPR of 6.7 percent.

Base Period Reset to FFY 2005: The Deficit Reduction Act set FFY 2005 as the new base year for the caseload reduction credit. This would substantially increase the effective WPR that states are required to meet. States whose caseload have not declined or have increased since FFY 2005 would have to meet the maximum WPR starting in FFY 2007, which begins October 1, 2006. The CalWORKs caseload has leveled off in recent years and is not expected to significantly decline without program changes.

Countable Work Activities and Verification Requirements

Required Hours of Work: To comply with federal work participation rates, adults must meet an hourly participation requirement each week. For single-parent families with a child under age 6, the weekly participation requirement is 20 hours. The requirement goes up to 30 hours for single parents in which the youngest child is at least age 6. For two-parent families the requirement is 35 hours per week. The participation hours can be met through unsubsidized employment, subsidized employment, certain types of training and education related to work, and job search (for a limited time period).

Federal TANF Work Activities Requirements

The Federal participation requirement for "all families" is 30 hours of work activities per week, 20 hours of which must be spent in "core" work activities. After the 20-hour requirement has been met, the remaining 10 hours may be spent in "non-core" activities. However, single parents with a child under six, and up to 30% of teen parents participating in activities 13 and 14 below, meet the federal participation requirement by participating 20 hours per week.*

Core Activities

1) Unsubsidized employment
2) Subsidized private-sector employment
3) Subsidized public-sector employment
4) Work experience (if sufficient private sector employment is not available)
5) On-the-job training
6) Job search and job readiness assistance
   - Maximum of 6 weeks may be counted in any fiscal year
   - Maximum of 4 consecutive weeks in any fiscal year per individual
   - Not more than once during a fiscal year, a county may count three or four days of job search and job readiness assistance during a week as a full week of participation
7) Community service programs
8) Vocational educational training (twelve-month lifetime total)
9) Providing child care services to an individual who is participating in a community service program

Non-Core Activities

12) Job skills training directly related to employment
13) Education directly related to employment (for individuals with no high school diploma or certificate of high school equivalency)
14) Satisfactory attendance at a secondary school or in a course of study leading to certificate of general equivalence

* The federal participation requirements for two-parent families is 35 hours of work activities per week, 30 hours of which must be spent in "core" work activities. However, up to 30% of teen parents participating in activities 13 and 14 above meet the federal participation requirement by participating 20 hours per week.

New Federal Regulatory Authority: The Deficit Reduction Act gives the Secretary of the U.S. Department of Health and Human Services new authority to promulgate regulations concerning "verification of work and work eligible individuals." This gives the Secretary specific authority to define:

- Work participation activities
- How participation in these activities is documented
- How participation is reported
- Whether nonaided adults residing with children that are aided with TANF or MOE funds may be subject to work requirements. Currently cases with children and an unaided adult are known as child-only cases and are not subject to the WPR calculation. If the future regulations from the Secretary specify that adults in child-only cases are subject to work participation, then meeting federal work requirements would be even more difficult.

These regulations are to be released by June 30, 2006, and will be effective October 1, 2006, at the beginning of Federal Fiscal Year 2007.

General Accountability Office (GAO) Review of TANF Countable Activities

GAO Report Finds Work Participation Measurements are Inconsistent Across States: Congress provided the US HHS Secretary with the new regulatory authority described above as a result of an August 2005 GAO report on TANF work participation measurement. The report compared 10 states, including California. Findings include:

- Differences in how states define the 12 categories of work that count toward meeting TANF work participation requirements have resulted in some states counting activities that other states do not count and, therefore, in an inconsistent measurement of work participation across states.
- The US HHS guidance to states lacks specific criteria for determining the appropriate hours to report. States are making different decisions about what to measure. As a result, there is no standard basis for interpreting states' rates, and the rates cannot effectively be used to assess and compare states' performance.
- California was more conservative than the other states in what activities it counted toward the federal WPR. The only problem noted for California was a lack of guidance to counties on the type of documentation needed to support reported hours of work activities.

States Covered by the GAO Review That Count Certain Activities toward Meeting the Federal Work Participation Rate

Activity	Reviewed states that count the activity as federal work participation
Caring for a disabled household or family member	Georgia, Maryland, New York, Washington, Wisconsin
Substance abuse treatment	Kansas, Maryland, Nevada, New York, Washington, Wisconsin
Domestic violence counseling	Nevada, Washington, Wisconsin
Other mental health counseling	Kansas, Nevada, New York, Washington, Wisconsin
English as a second language	Kansas, Nevada, New York, Ohio, Pennsylvania, Washington, Wisconsin

Source: GAO review of 10 states' TANF documents and interviews with the states' TANF officials.
Note: In the limited circumstance that counseling is related to employment and is given to a recipient along with employment services by the same service provider, Ohio counts hours spent in substance abuse treatment, domestic violence counseling, and other mental health counseling toward meeting the federal work participation rate, according to an Ohio official.

More Spending Countable Toward the MOE Requirement

The Deficit Reduction Act expands the definition of what types of state spending may be used to meet the MOE requirement. Currently, countable state spending must be for aided families or for families who are otherwise eligible for assistance. The Act allows state expenditures designed to prevent out-of-wedlock pregnancies or promote the formation of two-parent families (TANF purposes 3 and 4) to count toward the MOE requirement even if the target population is not otherwise eligible for aid. Essentially, the Act removes the requirement that countable spending that promotes the formation and maintenance of two-parent families and teen pregnancy prevention be on behalf of low-income families. The implications of this change are not yet known, but further information may be provided in the forthcoming federal regulations.

Federal Penalties and Increased MOE

Work Participation Rate Penalty and MOE Increase: If the state fails to meet the work participation rate requirements in FFY 2007, it is subject to a penalty of up to a 5 percent reduction in the federal TANF grant, or approximately $173 million, depending on the degree on non-compliance. The state would be required to backfill the penalty amount with General Fund resources. This penalty increases each year, to a maximum of 21 percent of the TANF grant. The penalty for FFY 2007 performance could be payable as early as state fiscal year 2008-09.

Estimated Federal Penalty
for Failure to Meet Minimum Work Participation Rate

Measurement Year	Percent of TANF Grant	Maximum TANF Penalty	Payable FFY	Payable SFY
FFY 2007	5%	$153 million GF	FFY 2009	2008-09
FFY 2008	7%	$214 million GF	FFY 2010	2009-10
FFY 2009	9%	$276 million GF	FFY 2011	2010-11
FFY 2010	11%	$337 million GF	FFY 2012	2011-12
FFY 2011	13%	$398 million GF	FFY 2013	2012-13

Note: Projected penalty amounts above reflect TANF transfers included in the Governor's Budget; penalties would change if TANF transfers changed.

In addition, if the state fails to meet the work participation rate requirements, the state would also be required to increase General Fund MOE spending by approximately $180 million. This is because PRWORA requires an MOE spending level equal to 80 percent of 1994 state welfare program expenditures, except if the state meets the required WPR, in which case the MOE is reduced to 75 percent of 1994 expenditures. California's practice has been to budget an MOE level of 80 percent of 1994 expenditures, and then budget the net savings from a 75 percent MOE level two years later, after federal certification that the state has met the required WPR.

As shown in the table below, if the state fails to meet the required WPR for Federal Fiscal Year 2007 (which begins October 1, 2006), the effective budget impact would occur in state fiscal year 2009-10, when the state would not be able to budget for the $180 million net savings from a 75 percent MOE level.

Increased State MOE
for Failure to Meet Minimum Work Participation Rate

Measurement Year	MOE Increase	SFY Budget Impact
FFY 2007	$180 million GF	SFY 2009-10
FFY 2008	$180 million GF	SFY 2010-11
FFY 2009	$180 million GF	SFY 2011-12
FFY 2010	$180 million GF	SFY 2012-13
FFY 2011	$180 million GF	SFY 2013-14

Work Participation Verification Penalty: If the state fails to establish or comply with the work participation verification procedures released by the federal HHS Secretary on June 30, 2006, California will be subject to a penalty of between one and five percent of the federal TANF grant, based on the degree of non-compliance. This is in addition to the WPR penalty. DSS indicates the new verification and oversight requirements will likely increase state and county data collection requirements and require programming changes in the four county automated consortia systems to add new data reporting elements.

Estimated Federal Penalty
for Failure to Verify Work Participation

Measurement Year	Minimum TANF Penalty	Maximum TANF Penalty	Payable FFY	Payable SFY
FFY 2007	$31 million GF	$153 million GF	FFY 2009	2008-09
FFY 2008	$31 million GF	$153 million GF	FFY 2010	2009-10
FFY 2009	$31 million GF	$153 million GF	FFY 2011	2010-11
FFY 2010	$31 million GF	$153 million GF	FFY 2012	2011-12
FFY 2011	$31 million GF	$153 million GF	FFY 2013	2012-13

Note: Projected penalty amounts above reflect TANF transfers included in the Governor's Budget; penalties would change if TANF transfers changed.

Note that the amount of the federal penalties may vary depending on TANF transfers to Title XX, Tribal TANF, and CCDF programs. Also, as previously noted, if the state meets the All-Families WPR but not the Two-Parent WPR, the penalty would be reduced by about 85 percent because the amount of the penalty would be tied to the relative size of the two-parent caseload in comparison to the overall caseload.

Corrective Compliance Plan: Maximum total penalty and increased MOE exposure is $306 million General Fund in 2008-09, and $547 million in 2009-10. However, the state may be able to negotiate a corrective compliance plan with the federal HHS Secretary for either the WPR penalty or the work verification penalty. Corrective compliance plans would reduce or eliminate the federal penalties but also require the state to comply with federal requirements to keep the penalty in abeyance. The increased MOE cannot be waived by the Secretary.

Current state law provides that counties are responsible for up to 50 percent of the federal penalty, although state law also provides that counties may be provided relief if the department determines that there were circumstances beyond the county's control. Current statute may not require counties to backfill the penalty amount with county resources, so allocating the penalty to counties may effectively reduce funding for local CalWORKs programs, if counties choose not to backfill the penalty.

DSS Issue 4: Family Descriptions and Caseload Information

CalWORKs Caseload Description

Enrollment Trends: After peaking in March of 1995, CalWORKs enrollment has dropped by 48 percent through 2005. The caseload decline is due to a combination of demographic trends (such as decreasing birth rates for young women), California's economic expansion, and welfare reform changes since 1996. After years of declines, enrollment flattened in 2003-04, and has remained relatively stable since then. As of November 2005, caseload was projected to decrease by 1.4 percent in 2005-06, and increase by 0.9 percent in 2006-07. Average monthly enrollment was estimated to be 488,000 cases in 2006-07. However, since November, caseload has declined more than anticipated, and the May Revision caseload estimates will likely show a small caseload decline compared to November estimates.

Caseloads are dynamic, with substantial movement in and out of the program. Each month 18,000-19,000 families enter the program, and roughly the same number of families leave each month. Over the past ten years, the proportion of families enrolled in the Welfare-to-Work portion of the program has declined, primarily due to the large number of cases that have left the program.

The main reasons families leave CalWORKs are:

1. Employment or family income increase. Note that families who leave CalWORKs due to excess income often do not submit their final participation report to the counties, and therefore are sometimes counted as exiting due to non-compliance (category 3 below).

2. Change in household composition: No longer an eligible child in the home; got married; or parent, spouse, or partner returned home.

3. Frustration with program rules or paperwork; not complying with program requirements; no longer wanted or needed welfare; or welfare benefit not enough to continue receipt of benefits.

The significant number of families that have left CalWORKs due to earnings has been partially offset by an increase in the number of cases without an aided adult.

CalWORKs Clients with Multiple Barriers: The proportion of families needing mental health, substance abuse, and/or domestic violence services has also increased. The percent of Welfare-to-Work clients receiving these services increased from 1.2 percent in October 1999 to 6.9 percent in October 2005. Research in Kern and Stanislaus counties found that more than half of the CalWORKs clients surveyed reported they had experienced domestic abuse, were found to have one or more mental health issues, and/or had abused alcohol or other drugs. About 80 percent reported experiencing domestic violence at some time in their lives, with one-quarter of the respondents identifying domestic violence as the current barrier to employment. In addition to these significant concerns, nearly 44 percent of those interviewed had not achieved a high school diploma, and about half had no driver's license.

CalWORKs Families are Diverse: As listed below in the Glossary of Major CalWORKs Case Definitions, CalWORKs families include a broad range of family circumstances and composition. For example:

- pregnant and parenting teens
- older parents and grandparents caring for children
- single- and two-parent families
- parents working, going to school, or in training programs full-time
- parents participating in some combination of part-time work, school, and/or job training
- refugee families (many initially lack English language and other basic job skills)
- families with substance abuse, mental health, domestic violence, and/or learning disability issues
- parents without high school diplomas (40% of adults in CalWORKs lack a diploma)
- families where children or adults are ill or disabled
- parents with extensive work experience or job skills
- parents with no work experience or job skills
- families who have received aid for many years, and have exceeded the five-year time limit
- families who have never received aid before, and stay in the program for a short time

CalWORKs Families are Dynamic: CalWORKs families' circumstances and case status may change frequently. Major change factors include:

- beginning/termination of employment or education/training programs
- changes in hours or wages of employment or education/training
- birth of a child, teen pregnancy, or removal of a child from the case at age 18
- departure or return of a parent to the household
- family relocation, such as for seasonal employment, homelessness, etc.
- improvements/declines in behavioral or physical health of a child or parent

Often when families apply for aid they are in crisis. Some need an exemption or good cause deferral to resolve the crisis. As they stabilize they may participate in time-limited activities, such as job search or training, and then work full- or part-time, perhaps in conjunction with other Welfare-to-Work (WTW) services. Alternatively, in some cases parents begin working right away, or were already working when they applied for aid.

Note also that counties have different local demographic and economic situations that affect participation activities and rates. For example, counties in the central valley with seasonal agricultural jobs have clients that regularly transition between work and other activities each year. In rural areas without extensive public transit systems, clients may have to travel long distances to work, and face particular difficulties if they do not have reliable cars.

Glossary of Major CalWORKs Case Definitions

Single-Parent and Two-Parent Cases (230,000 cases): Grant includes children and parents.

- **Non-Exempt:** Single- or two-parent family required to participate under state and federal rules. Eligible for Welfare to Work (WTW), Behavioral Health (mental health, domestic violence, alcohol and drug treatment), Child Care, and other support services.
    - **Timed-Out (36,000 cases):** Non-Exempt families with their federal 60-month clock expired, but state CalWORKs clock not expired. Federal clock started December 1, 1996.
    - **Good Cause:** Non-Exempt families where the county has granted a temporary exemption from participation. Most common examples include illness, disability, lack of transportation, child care problems, emotional problems, domestic abuse, attendance at employment/school/training, and legal problems.
- **Federal Exempt (19,000 cases):** Single parent with a child under age one. Exempt from participation under federal rules. Eligible for WTW and other services only if the parent volunteers to participate.
- **CalWORKs Exempt (36,000 cases):** Families not exempt from participation under federal law, but exempt under state law. Includes parents under age 16 or 60 and older, 16 and 17 year old parents in high school, parents physically or mentally unable to participate for at least 30 days, and parents caring for a disabled family member. Eligible for WTW and other services only if the parent volunteers to participate. Note that a substantial number of Exempt clients leave aid prior to the expiration of their exemption period, perhaps because they have resolved the crisis that led them to apply for aid.
- **On Aid Less than 60 days (22,000 cases):** WTW orientations are provided within 60 days of a client being determined eligible for aid. Federal participation rates are low among initial applicants, as they often have not yet had their WTW orientation. Clients are eligible for services once they are determined eligible.

Sanctioned Cases (55,000 cases): Families where the parent(s) has not complied with various reporting or activity requirements, and the county has reduced the grant to exclude the parent(s) from the case. Sanctions are progressive – with each incidence of noncompliance the sanction period is increased. Clients are generally eligible for WTW and other services if they cure their sanction or comply with their WTW plan.

Safety-Net Cases (28,000 cases): Families with federal and state 60-month clock expired. State clock started January 1, 1998. Grants are reduced to reflect removal of parent(s) from assistance calculation. Eligible for two years of child care if participating in WTW plan.

Child-Only Cases (169,000 cases): Grant amount calculation includes only children, not adults.

- **SSI Parent (44,000 cases):** Disabled parent(s) eligible for SSI.

- **Non-Citizen Parent (70,000 cases):** Generally, citizen children with ineligible non-citizen parents. 92% of adults have been in the US five years or longer.

  - 73% Refugee
  - 16% Permanently Residing in US Under Color of Law
  - 11% Other

- **Non-Needy Caretaker Relative (32,000):** Persons requesting child-only grants for related children in their care (72% grand/great-grandparents).

CalWORKs Sanction Policy: If a client has been notified that he/she has not met program requirements, they are given opportunities to come back into compliance before the county imposes a sanction. At the first occurrence of a sanction, the grant continues at the reduced level until the client comes into compliance. At the second occurrence, the sanction continues for three months until the sanction is cured, whichever is longer. At the third and subsequent occurrences, the sanction must last for six months or until the sanction is cured, whichever is longer. If a client is sanctioned more than once, the reduced benefit must be paid directly to any applicable vendors for rent and utilities.

Client sanction rates vary by county. Research indicates that some sanctioned families may be participating, and may even be meeting the federal participation requirements, but are sanctioned because they have not complied with reporting or orientation requirements.

Federal Participation by Case Type (Point-in-Time): The chart on the following page shows how the state's actual work participation rate would be calculated under the Deficit Reduction Act provisions that include two-parent families in the All-Family rate calculation, using FFY 2004 data. The average monthly number of single- and two-parent cases required to participate is 229,939. Of those cases, an average of 57,526 cases (25 percent) participated in federally-countable activities for a sufficient number of hours per week each month to qualify as meeting the work participation rate. This calculation uses a point-in-time methodology to measure participation rates. However, families in CalWORKs shift from one category to another as family circumstances change, and the diversity and dynamic nature of CalWORKs families reduces the usefulness of point-in-time measurements.

TANF Participation by Case Type (Based on FFY 2004)

CalWORKs Caseload Category	Number of Cases	Percent of Total Cases	In Proposed WPR?
Caseload Required to Meet Federal Participation Rate:			
Single Parent Cases (per federal definition)	193,360		Yes
Two Parent Cases (per federal definition)	36,579		Yes
All Families Required To Participate (Federal Denominator)	**229,939**	45.9%	
Cases Exempt from Federal Participation Rate (Single Custodial Parent with Child Under One Year of Age)	18,982	3.8%	
Cases with Unaided Adults:			
Safety Net	28,000	5.6%	Unknown
Child Only	169,338	33.8%	Unknown
Sanction	54,557	10.9%	Likely
TOTAL CALWORKS CASELOAD	**500,816**		
	Number of Cases	**Percent of Cases Included in Federal WPR**	**In Proposed WPR?**
Breakdown of All Families Required to Participate:			
Meet Federal Participation Rate	57,526	25.0%	Yes
Participating in Federal Activities, But Not Meeting Federal Participation Rate	38,583	16.8%	Yes
Exempt (Per state CalWORKs provisions) – Less Cases with Single Custodial Parent with Child Under Age One	35,818	15.6%	Yes
Non-Compliant (CalWORKs)	24,123	10.5%	Yes
On Aid Less Than 60 Days	21,750	9.5%	Yes
“Other” (Not participating at all or participating only in non-federally allowable activities)	52,139	22.7%	Yes
TOTAL CASES	**229,939**		

Key Excerpts from County Welfare Directors Association (CWDA) White Paper

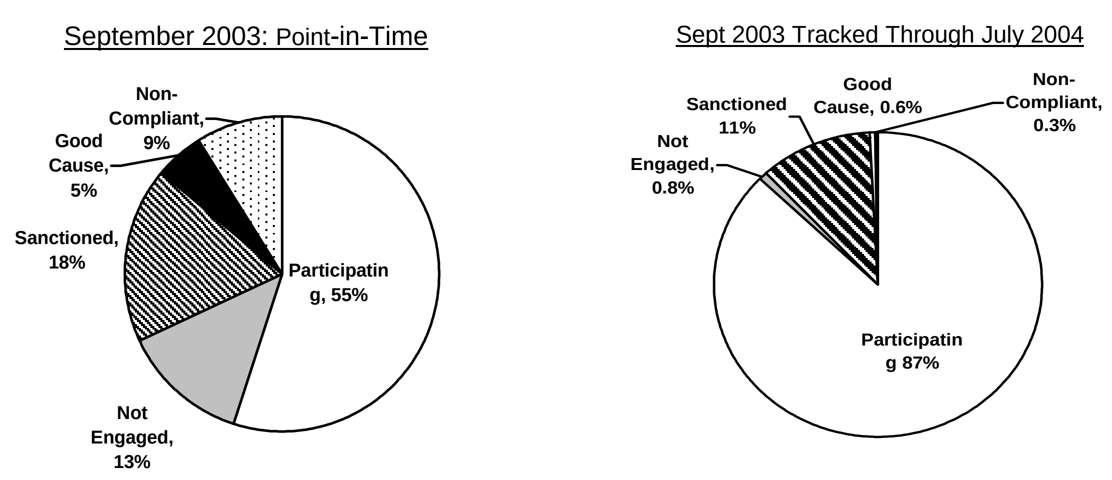
The County Welfare Directors Association (CWDA) conducted research among various county CalWORKs programs over the past six months, and has recently published a "white paper" document summarizing the results. The key findings on caseload trends and patterns from the paper are included below.

Client Participation Trends and Patterns. Many clients are participating part-time and/or mixing state and federal activities. One-fifth of the adult caseload is exempt from participating in Welfare-to-Work activities under state law. Finally, the "not participating" group is diverse; just because a client is not participating at a point in time does not mean they are disengaged from the program.

- Point-in-time participation measurements ignore many other measures of success.
- Participants today have greater access to employment services than in 1995.
- Working participants earn more today than in 1994, even after accounting for inflation.
- Viewing participation over time paints a more complete picture than point-in-time data.

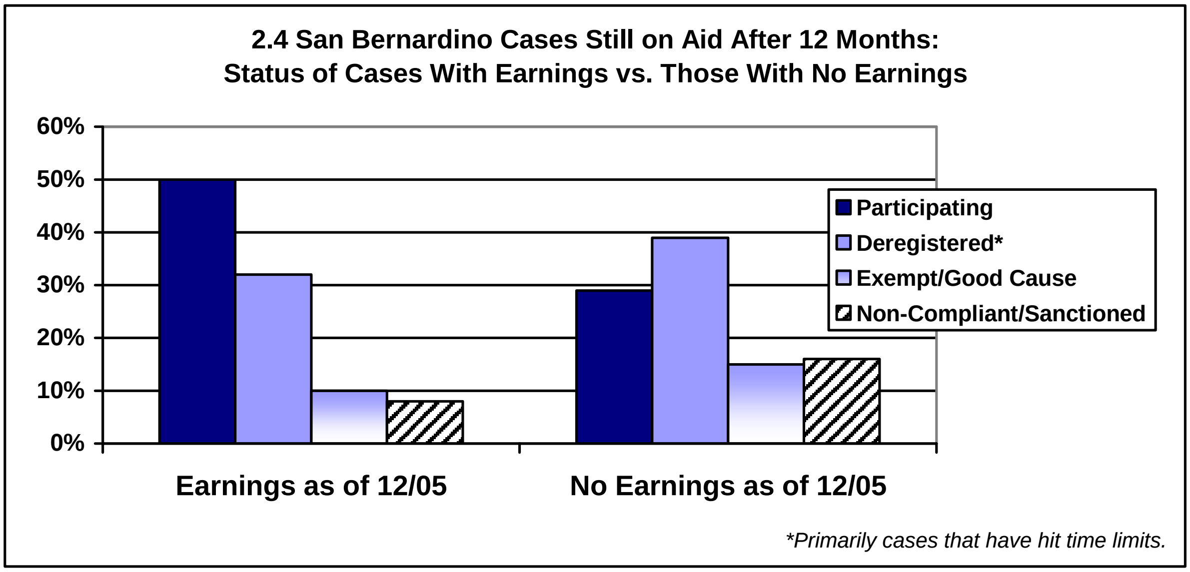
Riverside County: The pie charts below paint two very different pictures of program participation. The chart on the left shows point-in-time caseload data; while the chart on the right shows cases tracked over time. As the chart on the right shows, the overwhelming majority of Riverside County's Welfare-to-Work participants during the study time period were engaged, received an exemption from participation or left the program. Over the 10-month period, only 13 percent of the Welfare-to-Work clients did not participate in the program in any way.

2.3 Riverside County Caseload – Point-in-Time vs. Tracked Over Time



San Bernardino County: To further measure what happens to cases over time, San Bernardino County recently conducted a longitudinal analysis of a group of about 7,900 clients who were working as of December 2004. Following these cases over 12 months, the county analyzed the clients' status as of December 2005.

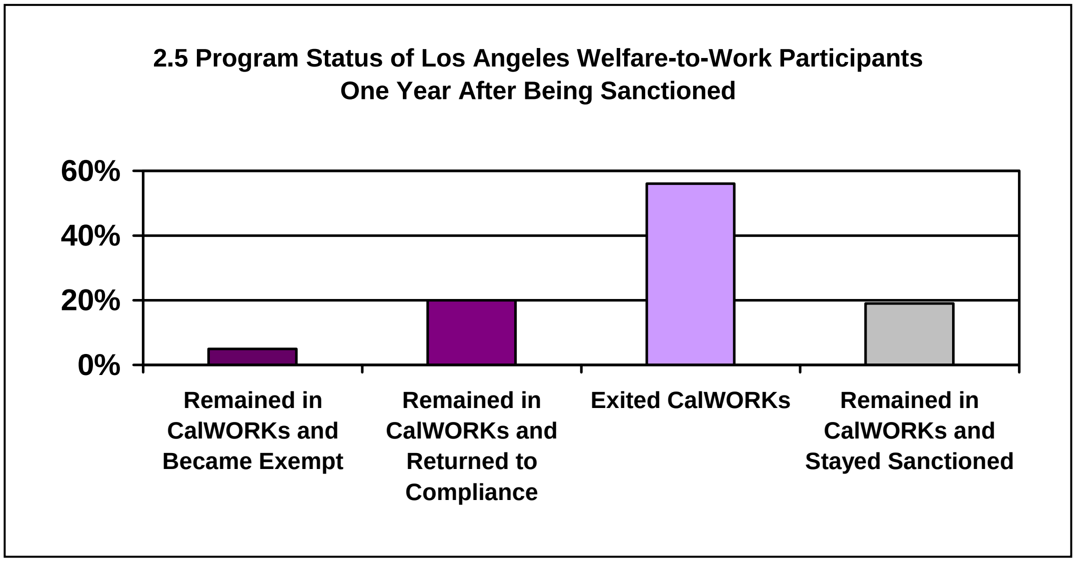
Over the 12-month period, the county found that 56 percent of the clients had left aid at some point during the year, mostly due to their income being over program limits. Of the 44 percent who received assistance without any discontinuances during the 12-month period, two-thirds (2,341) continued to report earnings, and one-third (1,199) had no earnings at the end of the 12-month period (December 2005). The chart below summarizes the status of the 3,540 participants who remained on the caseload as of December 2005.



The chart above shows that the recipients who remained on aid without any discontinuances and continued to have earnings at the end of the 12-month period (left set of bars) were far less likely to be sanctioned than those without earnings (right set of bars). This suggests that participants who remain continuously on the program and maintain consistent employment are more likely to comply with participation requirements and less likely to experience a sanction.

Los Angeles County: In response to concerns about sanctioned participants, Los Angeles County conducted a longitudinal analysis of recipients who entered the program between June and November 2002, following these recipients for 18 months. The county found that most of the sanctioned participants were sanctioned before they participated in any Welfare-to-Work activity at all. Almost two-thirds of those who were sanctioned had failed to attend their scheduled Orientation session. The participants who did attend Orientation were much less likely to be sanctioned than those who did not attend Orientation.

The chart below shows the status of a group of participants who were sanctioned between September 2002 and February 2003, one year after they first became sanctioned.



Similar to the Riverside and San Bernardino studies, the Los Angeles analysis found that over time, most sanctioned participants returned to compliance, became exempt or left the CalWORKs program altogether. The Los Angeles findings also are similar to the Riverside and San Bernardino studies, showing the dynamic nature of the caseload and the large percentage of recipients who leave the program over a given period of time.

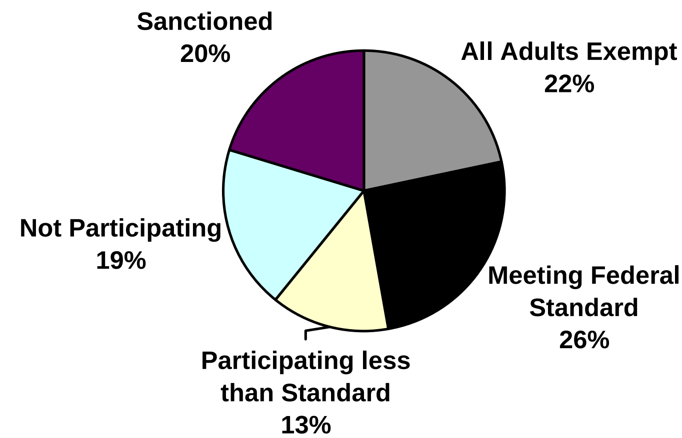
CalWORKs Family Example

Madge is a single mother of 15 year old Jeremiah and 11 year old twins Quinten and Quana. All of the children are doing well in school while Madge attends community college to earn an Associates Degree in Administrative Justice. She maintains a full time academic schedule, cares for her children and her home, and works 20 hours a week as a student assistant in the financial aid department at the College.

Madge has used available resources to benefit her family as they strive towards self-sufficiency. Madge receives section 8 housing and has maintained her residence since July 2003. Madge has received CalWORKs funds to help with car repairs and to advance her educational goals. Madge filed for the Earned Income Tax Credits this year and received a $2,110 return.

When Madge graduates this year with her Associates Degree she wants to re-enter the workforce full-time.

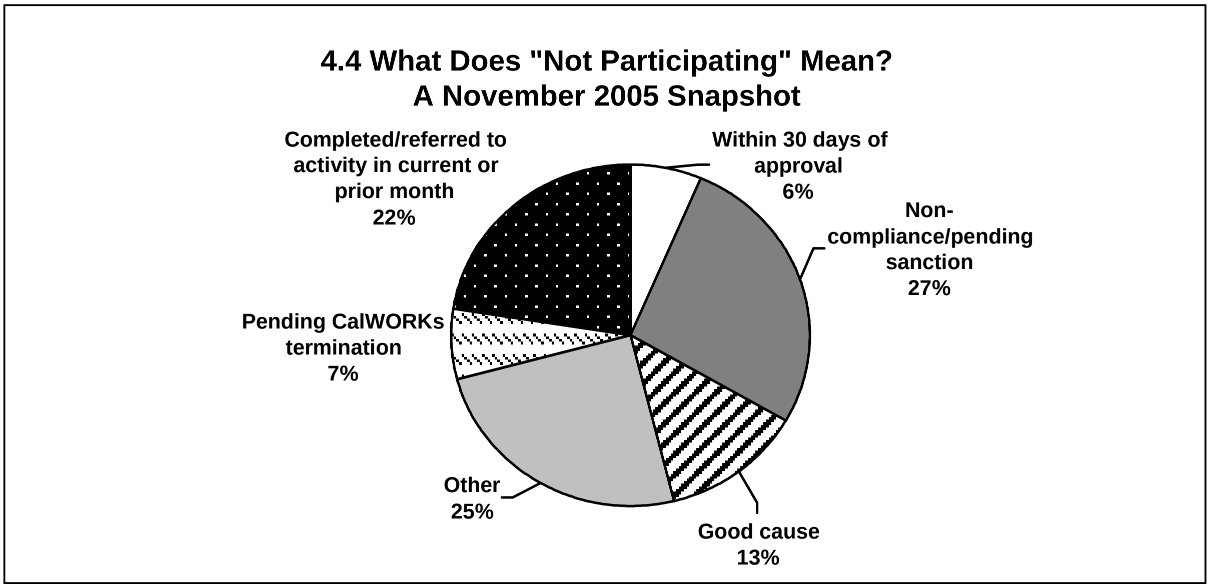
The chart below shows the participation levels in the 15 counties surveyed by CWDA for the purposes of the white paper, as of November 2005.[1] It shows that 26 percent of the adults required to participate (unless given an exemption or other good-cause reason for not participating) were doing so for enough hours to meet the federal requirements. Another 13 percent were participating for less than the federal standards.



The "not participating" group is diverse; just because someone is not participating at a given point in time does not mean they are disengaged from the program. The CWDA data review collected more detailed information about the cases that were labeled as "not participating" during the month of November 2005. Digging deeper into the reasons for non-participation shows that more than a quarter of recipients are either new to the program (6 percent), are about to leave the program (7 percent), or have been given good cause for not participating (13 percent).

[1] Participating counties included: Fresno, Humboldt, Kern, Los Angeles, Mendocino, Monterey, Riverside, San Bernardino, San Diego, San Francisco, Santa Barbara, Santa Cruz, Stanislaus, Sutter, and Yuba.

Chart 4.4 demonstrates this diversity, suggesting that any efforts to engage the "not participating" group will need to recognize the subgroups within this category.



The group includes individuals who are new to the program, those who have good cause for not participating, those who completed or were referred to an activity during the current or prior month – but who have not yet begun a new activity – as well as those who will be leaving the CalWORKs program within a short period of time.[2] It also includes non-compliant participants and those whose sanctions have not yet been activated, but are pending.

Most counties were not able to break their caseloads into finer detail than the categories listed in chart 4.4, which explains the relatively large "other" category (25 percent). Counties that were able to further define their caseloads reduced the "other" category to less than 14 percent of cases not participating. The data from these counties, including Los Angeles County, indicates that a significant percentage of the cases in the "other" category are likely between assigned activities, and therefore would not count as participating for purposes of the state's federal work participation rate.

Note also that the "good cause" category essentially represents another group of exempt clients, who would not be considered participating for purposes of the federal rate but are not disengaged from the program, as might otherwise be assumed without delving deeper into the data. The diversity among the "not participating" group and the potentially substantial number of cases who are between activities at any given point in time suggests that strategies to engage clients in useful, temporary activities when they are between their formal assignments could be worthwhile. For example, a person waiting for a particular course to begin at the local community college might be encouraged to enroll in a short-term training program to learn a related software application.

[2] This latter group is shown as "Pending CalWORKs Deregistration" in Chart 4.4.

DSS Issue 5: CalWORKs County Operations and Funding

County Case Study: Los Angeles County Sanction Research and Pre-Sanction Home Visit Project

A 2005 Los Angeles County study of sanctions among CalWORKs clients found that:

- Almost two-thirds of sanctioned WTW clients are sanctioned when they fail to show up for their orientation session.

- The most prevalent reasons identified for this failure to participate are lack of adequate transportation and child care, and failure to receive notifications in a timely manner.

As a result of the study's findings, the county developed a detailed action plan, which included improvements in communication, child care and transportation coordination, and eventually implementation of a home visit outreach project.

The GAIN Sanction Home Visit Outreach Project (GSHVO) uses special caseworkers (not the routine eligibility or WTW caseworker) to perform a three-step outreach and home visit process for clients at risk of being sanctioned. The special caseworkers are not the client's normal eligibility or WTW caseworker, but senior staff who provide focused case management to resolve a variety of issues. The process includes:

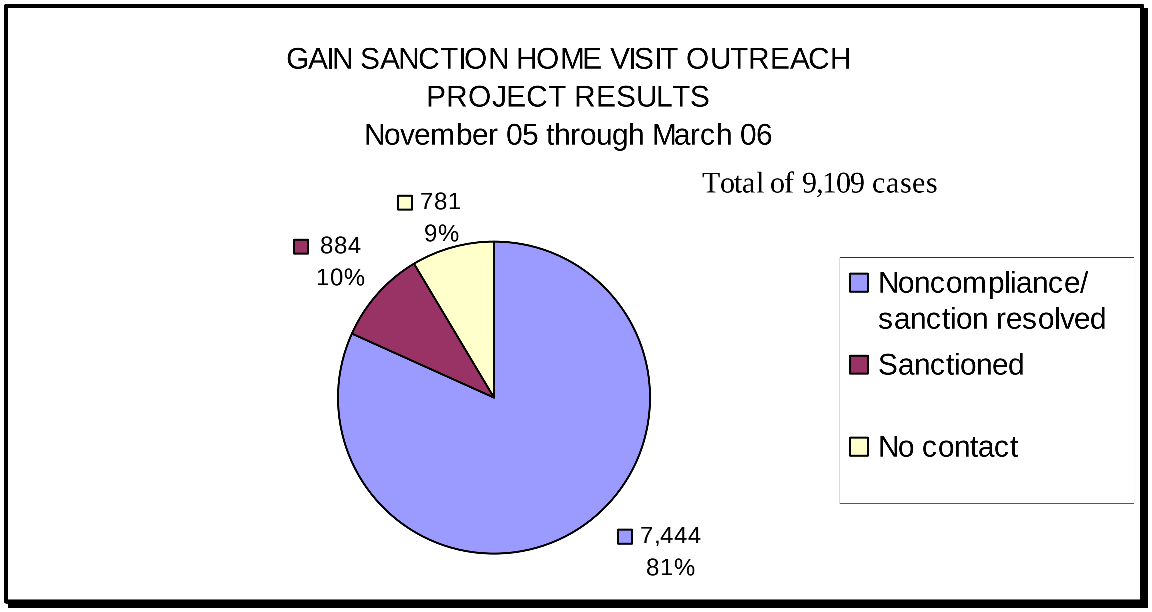
1. Clients at risk of sanction are mailed a letter advising them that a home visit has been scheduled, and that they may call the special caseworker to resolve the situation or reschedule the visit.

2. The special caseworker calls the client the day before the home visit, to see if the situation can be resolved over the phone.

3. If there is no response to the letter or telephone call, the caseworker visits the client's home to try to contact the client, resolve the situation, and engage the client in WTW activities.

Home visits are not scheduled for clients when domestic violence issues have been disclosed.

The results of the GSHVO Project have been very positive – over 9,100 clients have been served through this project, and 81 percent of those clients have resolved their noncompliance/sanction issues. In addition, the total number of new sanctions imposed in the county has declined in February and March 2006.



The chart above identifies the outcome for those clients who have been served by the project since it was implemented countywide, but does not include pending cases where there is no outcome yet. For example, clients who have been sent a letter, but have not yet received a home call are not included in the data.

NEW SANCTIONS IMPOSED			
Month/Year	**1st Sanction**	**Subsequent**	**Totals**
October 2005	1,336	683	2,019
November 2005	1,350	760	2,110
December 2005	1,359	702	2,061
January 2006	1,411	712	2,123
February 2006	1,120	609	1,729
March 2006	981	634	1,615

The chart above shows the number of sanctions imposed each month. The project does not currently include participants who are facing a second or subsequent sanction, so the impact of the project is only on newly-imposed first sanctions. The drop in new sanctions reflects the impact of the project, but the County anticipates the impact to be even greater once they have staffed-up to the point that no one in LA County receives a first sanction without being served through the project.

LOS ANGELES COUNTY
GAIN SANCTION HOME VISIT OUTREACH PROJECT
NOVEMBER 2005 THROUGH MARCH 2006
APRIL 2006

CASES ASSIGNED TO PROJECT		
Month/Year	Cases	Percentage
November 2005	752	6.2%
December 2005	2,016	16.6%
January 2006	2,631	21.6%
February 2006	3,236	26.6%
March 2006	3,525	29.0%
Totals	**12,160**	100.0%

PERCENTAGE OF CASES IN GSHVO CATEGORIES - LAST 3 MONTHS			
	Noncompliance	Pending sanction	1st sanction
January 2006	83.9%	2.5%	13.6%
February 2006	86.9%	3.7%	9.4%
March 2006	89.6%	2.7%	7.7%

TOTAL CASES AND DISPOSITION OF CASES		
	Cases	Percentage
Resolved before contact	3,755	30.9%
Resolved by telephone contact as a result of letter	3,859	31.7%
Resolved by home visit	714	5.9%
Total resolved cases	8,328	68.5%
Pending cases (letters, phone calls and home visits*	3,051	25.1%
Unresolved cases - pt. not home or incorrect address*	781	6.4%
Totals	**12,160**	**100.0%**

* These cases could lead to sanctions.

RESULTS OF RESOLVED CASES		
	Cases	Percentage
Participation/agreement to participate	2,473	29.7%
Good cause	2,050	24.6%
Exemption	968	11.6%
Opted for sanction	884	10.6%
Employment	553	6.6%
Homeless	540	6.5%
Agency error	456	5.5%
Cash Aid terminated	323	3.9%
Other	81	1.0%
Totals	**8,328**	100.0%

Other Examples of Innovative County Welfare-To-Work Programs

- The “Limited English Proficient (LEP) Education and Training Program,” developed in Los Angeles County, couples intensive English language immersion with specific vocational skills training in selected fields to help participants enter jobs with greater opportunities for wage advancement. The training programs focus on local labor market needs and are often linked directly to the needs of specific employers.

- “Work Plus,” a unique program in Riverside County for working CalWORKs clients, focuses on promoting self-sufficiency by increasing earnings potential through participation in training and education. Program staff use creative methods to more effectively connect clients with existing training and education systems, such as community colleges, work force development programs, and vocational schools.

- The "Accelerated Skills in Industry Program," created in Stanislaus County, offers participants the opportunity to receive training in such industries as manufacturing, construction, automotive, and printing. This effort is a collaboration between multiple agencies, in which caseworkers work one-on-one with participants to strengthen basic education skills, provide targeted training and job retention services, and offer paid work experience and job development services for graduates.

- The “Pre-Construction Skills Training Program,” a Stanislaus County innovation, provides participants with classroom instruction and hands-on work experience in one of the area's fastest growing industries. This effort is a multi-agency partnership with the Habitat For Humanity that educates participants in all phases of construction, while providing them with the supportive services -- such as child care, transportation, and ancillary assistance -- necessary to ensure successful completion of the program.

- The “Housing Investment Project's (HIP) Self-Sufficiency Program,” developed in San Mateo County, provides housing and other supportive services to single parents trying to succeed in the workforce. Helping to stabilize housing for these families eliminates a tremendous impediment to success. Families can instead focus on locating, retaining and advancing in jobs, and completing education that will allow them to leave the welfare system.

- The Sacramento Works One Stop Career Center is a partnership between the Sacramento Employment and Training Agency (SETA), the Department of Human Assistance, the Los Rios Community College District, the Employment Development Department, the California Association of Employers, and local community-based organizations and employers. The Career Center coordinates a variety of programs, including job club/job search, the Rewards Program, and the Manufacturing Boot Camp. The Boot Camp is conducted by the California Association of Employers (CAE) and employers in the Sacramento area, and provides job seekers with hands-on, pre-employment skills training, much of which is transferable to other industries.

- "Fast Track to Work" is a Santa Cruz County partnership providing a full range of student services to CalWORKs participants, including specialized counseling, advocacy, early enrollment assistance, adaptation of Education Plans to meet Welfare-To-Work requirements, and classes in work readiness and financial literacy. The program is a model for how community colleges and county welfare agencies can work together to maximize educational access and retention for CalWORKs participants.

- The California Association for Microenterprise Opportunity (CAMEO) will describe self-employment programs and services provided to emerging microentrepeneurs: training and technical assistance, consulting, access to credit, and asset development. According to CAMEO, microenterprises are usually started with less than $35,000 and employ five or fewer people, yet "these small businesses are actually the greatest job generator during all business cycles."

Funding for County Operations

Counties note that the methodology used to fund CalWORKs no longer reflects actual program caseloads and costs. This has led to a program budget that is not reflective of funding needs or spending abilities across the 58 county CalWORKs programs. As shown in the table below, the Governor's Budget provides $79.3 million less in 2006-07 for county operations than the actual 2004-05 spending level. Budget reductions since 2000-01 have reduced county operations funding by $448 million annually. This includes $268 million not provided for cost of doing business increases, and $180 million direct cuts to CalWORKs county operations.

	2006-07 ALLOCATION PROPOSED		**2004-05 ACTUAL SPENDING**		**DIFFERENCE**
	Based on Gov's Budget		**Total Expenditures**		
CalWORKs SINGLE ALLOCATION					
Eligibility	$216.0	million	$478.1	million	($262.1)
Cal Learn	$26.4	million	$25.6	million	$0.8
Child Care	$483.3	million	$456.3	million	$27.0
Employment Services	$796.4	million	$641.4	million	$155.0
TOTAL	**$1,522.1**	**million**	**$1,601.4**	**million**	**($79.3)**

As a result of reduced single allocation funding:

- County staff for CalWORKs has been reduced. Staffing reductions between 2001-02 and 2003-04 ranged from .3 percent in Tehama County to 38.1 percent in Los Angeles County, according to a California Budget Project survey.

- Cuts since 1999-00 have impacted county staffing decisions differently, with some counties using attrition or shifting staff to other programs in order to accomplish staffing reductions, while other counties have laid workers off. Due to differences in caseload and priorities among counties, these cuts have impacted the various eligibility and employment services functions differently.

Budgeting Methodology for County Operations Funding: Prior to 2001-02, the state used the Proposed County Administrative Budget (PCAB) process to develop the annual budget for program operations in CalWORKs and other health and human service programs. The PCAB process required counties to project their needs for the coming year and scrutinized counties' assumptions in order to build the statewide CalWORKs budget. Funding increases to reflect the increased cost of doing business have been suspended since 2000-01. As a result of the lack of updated budget methodology, state budget staff have no basis for checking assumptions about the cost to implement program enhancements (such as the universal engagement and core/non-core requirements enacted as part of the 2004-05 budget) or the savings associated with program changes like quarterly reporting for CalWORKs clients.

The CWDA indicates that the budget for county operations no longer represents actual program funding needs and spending abilities across counties. Basing the CalWORKs budget on actual costs is necessary for counties to implement the basic program, as well as the policy and practice changes enacted in response to TANF reauthorization.

CWDA, the California State Association of Counties, and the Urban Counties Caucus have also requested that the Subcommittee adopt placeholder trailer bill language to fund the actual cost to counties to administer human services programs and Medi-Cal beginning in the 2007-08 budget. Funding for county human service programs has been frozen at the 2000-01 level (2001-02 for child welfare services). Since that time, actual county cost increases have not been funded – forcing counties to annually absorb more than $568 million (all funds) in increases in utilities, transportation health care, retirement, and salary increases.

DSS Issue 6: CalWORKs Design and Performance

Overall CalWORKs Design and Achievements

The Manpower Demonstration Research Corporation (MDRC) conducted a multi-year evaluation of the Minnesota Family Investment Project, with which California's CalWORKs program shares many characteristics. Some of the findings from the final MDRC report and a follow-up at six years after the project's implementation[3] include:

- The combination of financial incentives and work requirements led to "strikingly consistent" positive impacts on single-parent families, across a range of outcomes for children, families and adults. This includes a dramatic decline in domestic abuse, a modest increase in marriage rates and better performance in school with fewer behavioral problems for children. At the six-year mark, these improvements continued to be seen in the most disadvantaged families, in several subgroups of single-parent families and among children of long-term welfare recipients.

- Both single-parent and two-parent families saw increased earnings and reduced poverty as a result of the program, with the most positive and long-lasting gains for the most disadvantaged families. A higher percentage of families on the program began to combine work and welfare, rather than relying solely on public assistance.

- Financial incentives such as earned income disregards can lead to long-lasting increases in family income, and even temporary increases in income can benefit children over the long term. The MDRC also found that the positive effects on earnings and family income are largest and most sustained when financial incentives are combined with work requirements – as California's program does.

CalWORKs Program Achievements:

- Hundreds of thousands of families are working and off time-limited aid since 1995. More adults on aid are working, and they are earning more under CalWORKs.

- The use of Temporary Assistance for Needy Families (TANF) and state MOE funding outside of CalWORKs has saved the state $9.5 billion General Fund since 1996.

- CalWORKs encourages work and self-sufficiency while maintaining a safety net for low-income children

[3] Virginia Knox, Cynthia Miller & Lisa A. Gennetian (2000), "Reforming Welfare and Rewarding Work: A Summary of the Final Report on the Minnesota Family Investment Program," MDRC; Lisa A. Gennetian, Cynthia Miller & Jared Smith (2005), "Turning Welfare into a Work Support: Six-Year Impacts on Parents and Children from the Minnesota Family Investment Program," MDRC. Reports available at www.mdrc.org

Although California has a good design, it can be improved

Outcome Concerns:

1. Employment among CalWORKs families has begun to decline. 36.6% of aided non-exempt adults had earnings in 2004, compared to 38.3% in 2003. (Pay for Performance Measure #1)

2. The state's federal WPR is below the federal minimum of 50%, which may result in federal penalties. Current WPR is estimated at 23% for single parent cases, and 32% for two-parent cases. (Pay for Performance Measure #2)

3. Earnings among CalWORKs leavers are not significantly higher than current CalWORKs families, although that number is increasing. In 2004 only 16.2% of leavers had earnings 2.5 times higher than the mean earnings of current CalWORKs cases. (Pay for Performance Measure #3)

Family Earnings Measure	**2000**	**2001**	**2002**	**2003**	**2004**
CalWORKs Leavers with Earnings	60.8%	58.2%	53.6%	54.6%	53.9%
CalWORKs Leavers with Earnings equal or above 2.5 times the mean earnings of current CalWORKs families	13.1%	11.4%	12.7%	12.7%	16.2%

4. The number of families reaching the CalWORKs five-year time limit continues to grow. Caseload for the CalWORKs Safety Net category has grown from 5,000 families in January 2003 to 39,000 families in November 2005.

Factors Contributing to Outcome Concerns

The outcomes above are not due to a single factor within the CalWORKs program or its families. The outcomes are the result of a variety of program design and operation factors, demographics, and caseload characteristics. CalWORKs is a complex, multi-faceted, dynamic program. Different factors affect different counties and different families at different times.

Operational Factors:

- Insufficient outreach or case management, particularly for cases disengaged or at risk of sanction. Additional funding, combined with operational efficiencies, can help prevent sanctioned and disengaged clients.

- Case and data coordination problems between Eligibility, WTW, and Child Support staff within counties can lead to client frustration and disengagement, as well as inaccurate client records.

- Insufficient transportation and child care (particularly for infants, non-traditional work hours, or ill child) in some counties or areas reduce client participation.

- Data Collection Problems. The state needs better information about why clients are in particular case categories, how policy changes affect client engagement and participation, and how client characteristics and outcomes vary by county. Recent improvements in data reporting will allow the federal WPR for each county to be available on a monthly basis starting in July 2006. However, relatively little information is routinely available statewide or for each county about the reasons CalWORKs clients are in distinct case categories, such as Exempt, Good Cause, Sanctioned, Partially Participating, or the "other" category seen in some charts above.

  In addition, some clients who are working are not known by the county to be working. These clients could help the state meet its work participation rate if that information could be collected and documented.

Design Factors:

- Prior to the Deficit Reduction Act, there was a lack of incentive for state and county performance improvement.

- The CalWORKs earned income disregard may phase out too soon, and may not provide enough incentive for clients to increase their hours to 30/35 hours per week.

- Families with shared housing or other housing support have a reduced incentive to cure their sanctions.

Caseload/Family Dynamic Factors:

- Parents (especially mothers) want to be with their children, especially young children. In addition, low-wage jobs provide little incentive for parents to justify being away from their kids and working long hours.

- Generational poverty and environmental factors such as lack of role models or mentors lead to increased likelihood of receiving aid among young adults raised in families on aid or in foster care.

- Lack of economic opportunity in some communities.

- Low education level is a significant barrier to better employment and higher earnings (40% of aided adults do not have a HS diploma or GED).

- Client barriers: Substance abuse, depression, disability, domestic violence, homelessness – some families with multiple barriers are just hanging on, and can't begin to meet participation requirements until they have resolved some of these issues. However, many clients with multiple barriers persevere and become self-sufficient, though some may need additional services and time to do so.

- A larger proportion of CalWORKs families have more barriers and are harder to reach since the 1995-2001 caseload decline. More of the clients in the program are those with the most barriers, and the least success and self-confidence in their ability to be self-sufficient.

- Some refugees have very low education, communication, and life skills. Fresno County, for example, received a large number of Hmong refugees in the summer/fall of 2005. Some of these refugees are struggling to integrate into the community, and lack basic life skills, let alone job skills. For example, many do not read/write in their own language, do not speak English, need orientation on how to use public transit, and are not "job ready."

Special Focus: Child Care Concerns and Needs for CalWORKs Clients

Child care plays a key role in supporting client participation in Welfare-to-Work activities – the availability of quality care affects parents' decisions and abilities to participate in WTW. For example:

- Clients may need assistance with short-term or one-day child care while attending orientations and other short-term WTW activities.

- Many CalWORKs clients have complicated work and commute schedules and work during non-traditional hours, when child care is difficult to find.

- The shortage of infant care and of ethnic and linguistically diverse care can discourage some clients from participating in WTW programs.

A quality child care program near a client's home or work can make a tremendous difference in the ability of the client to stay employed or in school, and can help them achieve self-sufficiency.

As more CalWORKs parents participate in WTW activities, both the number of child care providers (licensed and licensed-exempt) and the hours of child care provided will need to increase. Most child care funding for CalWORKs families is included in the California Department of Education (CDE) budget, which is heard in Budget Subcommittee No. 1. Key issues in the CDE budget for child care include:

- **State Median Income (SMI):** The SMI used for the purpose of determining eligibility and fees for subsidized child care has not been updated since 2000 when it was set at $2,925 per month for a family of three based on 1998 California income data. Although state law requires that the SMI be updated annually this has not happened. Over the last five years the income eligibility limits have been frozen either administratively or through the state budget.

The income limit for subsidized child care eligibility was originally set at 75 percent of SMI, but due to the freeze it is now effectively at 57 percent of the state median income. As CalWORKs families increase their income through work, their grants decline and are eventually terminated, though they remain eligible for subsidized child care until their incomes reach the income limit. **Concerns have been raised that the lower income limit may result in some families "incoming out" of subsidized child care before they are able to achieve long-term self-sufficiency.**

- **Regional Market Rate (RMR):** The 2002-03 Budget Act directed CDE and DSS to develop a new methodology to be used for an updated RMR survey designed to reimburse child care voucher providers (including license-exempt providers) serving children on subsidized child care. The new methodology was supposed to address problems in the previous RMR surveys. **Advocates have expressed concern that the zip code clusters used in the new reimbursement rates resulted in a disproportionate disadvantage to child care providers and the children they care for in lower-income communities and communities of color.** The Administration is still considering what action to take on this issue.

- **Title 5 Child Care Providers:** These providers contract directly with CDE to provide high-quality child care and preschool. Title 5 providers include certain Family Child Care Homes (FCCHs) and child care centers, including preschool. The Standard Reimbursement Rate (SRR) is the maximum daily per-child payment earned by subsidized child care center-based programs. The SRR for 2005-06 is $30.04. Title 5 providers have the highest standards in terms of staff ratios and education requirements and measuring children's progress using the CDE's Desired Results system. From 1975-2000, Title 5 centers received either no COLA or a COLA that was substantially less than the increase in the cost of living. Concerns have been raised that the low reimbursement rates limit the number of Title 5 providers. CDE notes that 33 of 825 providers have recently relinquished their contracts with CDE, due to the low reimbursement rates. **The reduction in Title 5 providers may make it difficult for the state to have a sufficient number of licensed providers in the context of the need for increased CalWORKs client participation.**

- **Trustline:** Trustline is a background check clearance database for individual child care providers. Trustline registration is required for CalWORKs State One child care providers. **Concerns have been raised about the need to reduce applicant processing time through Trustline.**

Issue 7: CalWORKs Improvement Efforts and Options

Current Improvement Efforts for CalWORKs

- **DSS Visits to Counties:** In response to the limited results of 1104 and the TANF changes in the Deficit Reduction Act, DSS, in conjunction with CWDA, conducted a series of site visits to six county CalWORKs programs in April. The visits included discussions with management and line staff to identify current and best practices, as well as case file reviews. The results are not yet available.

- **Stakeholders Workgroup:** DSS is hosting an ongoing workgroup for CalWORKs stakeholders to discuss options to respond to the TANF changes in the Deficit Reduction Act. The first meeting was April 21st. Four subgroups are currently meeting, and the full group will reconvene on May 5th.

    - SubGroup One: Funding Options
    - SubGroup Two: Program Changes to Increase Engagement
    - SubGroup Three: Sanctions/Non-compliance
    - SubGroup Four: Data Collection/Verification

- **Cost Estimates for Some Options:** The department is currently preparing caseload and cost estimates for some of the options listed below.

- **CWDA Data Reports and Recommendations:** Counties undertook a series of efforts to develop a report containing basic, current information about the program and recommendations for policymakers. Their efforts have included:

    - Collecting, reviewing, and analyzing selected county data and other research on CalWORKs participation, recipient characteristics and sanctions.

    - Surveying counties, including counties chosen for sustained high performance relative to their peers as well as counties that volunteered to participate, regarding their participation reporting practices and promising engagement strategies.

    - Joint efforts with DSS to visit several county Welfare-to-Work programs and identify potential best practices for improving engagement and participation.

    - Developing policy and practice recommendations aimed at increasing participation in CalWORKs Welfare-to-Work activities and increasing the level of engagement among non-participating recipients, in a manner that is consistent with the core elements of the CalWORKs program.

CalWORKs Improvement Options

1. **Management and Data Improvement Options:**

   a) **Best Practices:** DSS and counties must jointly identify and share best practices to improve client engagement and participation, case coordination, and data coordination and accuracy. Improving the initial appraisal and orientation process is particularly important for engaging new cases. In addition, smaller counties and those in more remote areas may need assistance in developing community resources that offer a wider variety of work and work-related activities. Counties should also consider ways to recognize and encourage clients who are close to or meeting federal requirements.

   b) **CalWORKs Steering Committee:** Reconstitute the CalWORKs steering committee established in 1997, to review ongoing CalWORKs improvement efforts and federal TANF changes, and make recommendations for statewide policy changes as needed.

   c) **Master Plan for CalWORKs Data Needs:** The state needs a long-term strategy to improve CalWORKs data collection and reporting, to develop more detailed information on how, when, and why clients are or are not meeting federal participation requirements. This strategy could incorporate new data fields that are available on automation systems that have recently been implemented: CalWIN and C-IV. Note that this option was recommended by the LAO in 2003-04.

   d) **Improve the Federal WPR Calculation Process:** Counties use a survey process known as the "Q5" to measure federal participation rates. Improvement of this process should be considered on an expedited basis, to ensure that all clients that are meeting the federal requirements are included in the state's WPR.

   e) **Improve Documentation and Verification:** Counties and the state must continue efforts to ensure that all participation hours are properly documented and captured. In addition, the state and counties must be ready to modify verification and reporting processes in response to the federal regulations to be issued on June 30, 2006. The department has suggested that part of its stakeholder workgroup process will be to prepare a team to respond quickly when the regulations are issued. The new regulations must be implemented by October 1, 2006.

      Additional funding for automation system changes may be needed on an expedited basis to comply with the federal regulations. The Subcommittee may wish to include additional funding and Budget Bill Language in the 2006-07 budget for automation changes.

2. **Policy and Practice Change Options:** Some options would require budget and statutory changes, and others could be implemented administratively or as needed in certain counties. Note that overall, early engagement is a key strategy to increase participation.

   a) **Reinstate Pay for Performance:** Reinstate the Pay for Performance program, and consider adding new measures as needed. "What gets measured gets done."

   b) **Restore TANF/MOE for Case Management and Employment Services:** This funding is needed to maintain current participation rates, since the state's WPR has been *declining* since 2000. This restoration could be funded with TANF shifted back from Child Welfare Services, Foster Care, and KinGAP.

   c) **Improve the County Funding Process:** Amend the annual budget development process for county operations to reflect actual program funding needs, similar to the previous PCAB process. In addition, amend the current year county funding adjustment process to improve the accuracy of budget estimates of TANF/MOE expenditures. Both the annual budget development process and the current year adjustment process could allow counties to be confident they have the resources they need to increase the WPR, and the state to be confident that resources are being used effectively.

   d) **Require Counties to Backfill Penalty Pass-Through:** Current state law provides that counties are responsible for up to 50 percent of the federal penalty, although state law also provides that counties may be provided relief if the department determines that there were circumstances beyond the county's control. Current statute may not require counties to backfill the penalty amount with county resources, so allocating the penalty to counties may effectively reduce funding for local CalWORKs programs, if counties choose not to backfill the penalty. State law could be amended to require counties to backfill any passed-through federal penalty.

   e) **Increase Client Participation in Vocational Education:** Federal law permits 15 percent of the 50 percent WPR (net 7.5 percent of cases) to be met through vocational education. However, only 3.5 percent of CalWORKs participants are in vocational education, compared to 4.9 percent nationally.

   f) **Restore Community College CalWORKs Funding:** Approximately 40,000 CalWORKs clients are community college students, though only a small portion are in work-study, due to funding reductions in 2002-03. Increasing the funding for work-study would open up new job opportunities for CalWORKs clients, and allow them to work closer to where they attend school. An additional option is to provide funding for short-term curriculum development, for programs such as vocational English as a Second Language. A study by CLASP of CalWORKs participants in community college programs showed that the more education a CalWORKs student obtained in community college, the greater their increase in earnings from before they entered college. Annual MOE funding for community colleges has been $34.6 million since 2002-03, but was previously $65 million in 2000-01 and 2001-02.

g) **Shift Employment Training Fund (ETF) Resources to the Employment Training Panel (ETP):** Some or all of the ETF resources currently used to support county employment services for CalWORKs could be shifted back to the ETP, which would provide employment training for CalWORKs clients. The ETP indicates this funding would be used to provide training for CalWORKs clients for pre-apprenticeship positions in construction, and entry-level positions in health care, hospitality, and other industries. ETF funding has been shifted to the DSS CalWORKs budget for a number of years to support CalWORKs employment training. The Governor's Budget proposed a total of $33 million ETF be shifted to DSS in 2006-07.

h) **Expand the use of the Family Violence Option (FVO):** Under the FVO, states can waive work requirements for families with domestic violence experience, and reduce federal penalties attributable to the domestic violence waivers granted to families. Though serious incidents of domestic violence impact a quarter of the families, less than 400 clients are granted waivers in any month.

i) **Ensure that reasonable accommodation is provided in WTW activities for clients with disabilities:** This option can help reduce client frustration and improve engagement in WTW activities. For example, a person with a learning disability could be able to count study hours and attend vocational education for more than 12 months if they are needed to accommodate the disability.

j) **Make WTW Orientation a Condition of Eligibility:** Early engagement is a key strategy to increase participation. Implementation of this option would require operational and facility changes in some counties to collocate more staff and services. Requiring an orientation so quickly may increase initial engagement for some families, though it may also delay aid to families in crisis.

k) **Bridging Activities for Waiting Clients:** Encourage clients waiting for training or education programs to participate in "bridging" welfare to work activities until their other programs begin. This may help those clients meet federal requirements sooner than they would otherwise.

l) **Offer Partial Exemption for Certain Single Parents with Child Under 6:** Single parents with a child under age 6 who meet certain hardship criteria could be offered a partial state exemption to require only 20 hours of participation, to encourage them to participate 20 hours per week and meet the federal requirements. Over 5,000 single parents with a child under 6 are currently participating 10-19 hours per week.

m) **Increase Engagement Before Sanction:** Call clients, send letters, and make home visits before applying sanctions, similar to the Los Angeles County Home Visit project.

n) **Increase Engagement at Redetermination for Sanctioned Cases:** Use the annual redetermination meeting as an opportunity to encourage participation and identify client needs and barriers, eligibility for exemption, potential fraud, child welfare concerns, and other issues.

o) **Sanction Amnesty or Earn Back Program:** Enable sanctioned families who come back into compliance during a specific time period to "earn back" some or all of their sanction over time through continued satisfactory participation, as a means to encourage ongoing participation.

p) Encourage or require families sanctioned for six months to pick up their grant check in person and meet with caseworker.

q) **Increase Earned Income Disregard:** The earned income disregard could be increased to a flat 67 percent of earnings, with 100 percent of income up to $100 per month disregarded. This option would result in additional grant costs, and would keep families in the CalWORKs program longer and continue to "tick" their 60-month aid clocks. However, this option would increase the incentive for families to increase their employment hours, particularly for clients working some hours but not enough hours to meet the federal WPR requirements.

3. **TANF/MOE Funding Changes:** Includes options to add-in and take-out cases from CalWORKs and/or TANF/MOE.

a) **Assistance for the Working Poor (Add-In):** Provide a small monthly "work allowance" grant ($25 - $100) to employed families not currently in CalWORKs. Eligibility for this grant could include former CalWORKs families who are working, or all working low-income families who apply for the grant.

b) **Allow More Working Two-Parent Families into CalWORKs (Add-In):** This option would eliminate the "100 Hour Rule" for two-parent working families. Two parent applicants are currently ineligible for CalWORKs if one of the adults in the family worked more than 100 hours in the previous month, irrespective of the amount they received. Because these families are working, they can more quickly meet the 35 hour participation requirement. The cost of this proposal is unknown, but the department indicates it would be significant.

c) **Move Two Parent Families Out of CalWORKs Funding (Take-Out):** Use non-MOE General Fund for the grant costs of Two-Parent families that are not meeting the WPR (or all Two-Parent families). By funding their grant costs outside of TANF/MOE funds, these families would be removed from the numerator and the denominator of the WPR. Federal law requires states to achieve a 90 percent participation rate for two-parent families, and provides a penalty for non-compliance.

d) **Shift TANF/MOE Funds out of KinGAP and Child Welfare/Foster Care Emergency Assistance:** In recent years the amount of TANF/MOE funding used for KinGAP and the Child Welfare/Foster Care Emergency Assistance programs has increased to $300 million annually. However, at this point it may be more appropriate to fund all or part of these programs with non-MOE General Fund, and use the TANF/MOE for CalWORKs to help increase the work participation rate. Families in these programs are not factored into the WPR, although they are included in the caseload reduction credit calculation. Removing these families from TANF/MOE funding would increase the state's caseload reduction credit.

e) **Create a State-only CalWORKs Program for Key Client Groups (Take-Out):** This option would use non-MOE General Fund to fund grant costs for certain client groups that generally do not meet the federal participation requirements, and would otherwise be included in the denominator but not the numerator of the WPR. Additional MOE-eligible expenditures would be counted in place of the MOE costs shifted to the General Fund, for no net General Fund impact. These shifts might also increase the state's caseload reduction credit. Suggested client groups include:

   i. Disabled parents, parents caring for a disabled family member, and other adults who are exempt from WTW under state law but not exempt under federal law.
   ii. Parents and relative caregivers who are engaged in mental health, substance abuse, or domestic violence services.
   iii. CalWORKs applicants in the month of application and the month in which they are approved for assistance.

Issue 8: Index of CalWORKs Background Topics and Materials

Index of CalWORKs Background Materials